



PANDORA[®]

Investor Presentation

Q2 CY2014

Safe Harbor

These slides and the accompanying oral presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in these slides and the accompanying oral presentation, including statements regarding Pandora Media's ("Pandora" or the "Company") future operations, future financial position, future revenue, projected expenses, opportunities, prospects, plans and objectives of management and competitive and technological trends are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "estimate," "expect," "intent," "may," "might," "plan," "project," "will," "would," "should," "could," "can," "predict," "potential," "continue," "objective," or the negative of these terms or similar expressions. The Company has based these forward-looking statements largely on its estimates of its financial results and its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, short term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, but not limited to, our operation in an emerging market and our relatively new and evolving business model, our ability to evaluate our current and future prospects, our ability to generate additional revenue on a cost-effective basis, our ability to attract and retain advertisers, our ability to increase our listener base and listener hours, competitive factors, our ability to establish and maintain relationships with makers of mobile devices, consumer electronic products and automobiles, our ability to continue operating under existing laws and licensing regimes and a number of other factors outside of our control. These risks and uncertainties may also include those described under the heading "Risk Factors" and elsewhere in the Company's registration statement on Form S-3 on file with the Securities and Exchange Commission (the "SEC") for the offering to which this presentation relates and filings the Company makes from time to time with the SEC. Moreover, the Company operates in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for Company management to predict all risks, nor can the Company assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements the Company may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in these slides and the accompanying oral presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Any forward-looking statement speaks only as of its date. Except as required by law, the Company undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this presentation, to conform these statements to actual results or to changes in the Company's expectations. The Company has filed a registration statement (including a preliminary prospectus) with the SEC for the offering to which this presentation relates. Before you invest, you should read the preliminary prospectus in that registration statement and other documents the Company has filed with the SEC for more complete information about the Company and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the Company, any underwriter or any dealer participating in the offering will arrange to send you the preliminary prospectus, if you request it by calling toll free 1-866-803-9204.

Dominic Paschel – Vice President

PANDORA®

Redefining Radio for a Connected World

PANDORA®

Radio Consumption

Radio Audience

92% of U.S. Population

240M+ Americans

Music Listening

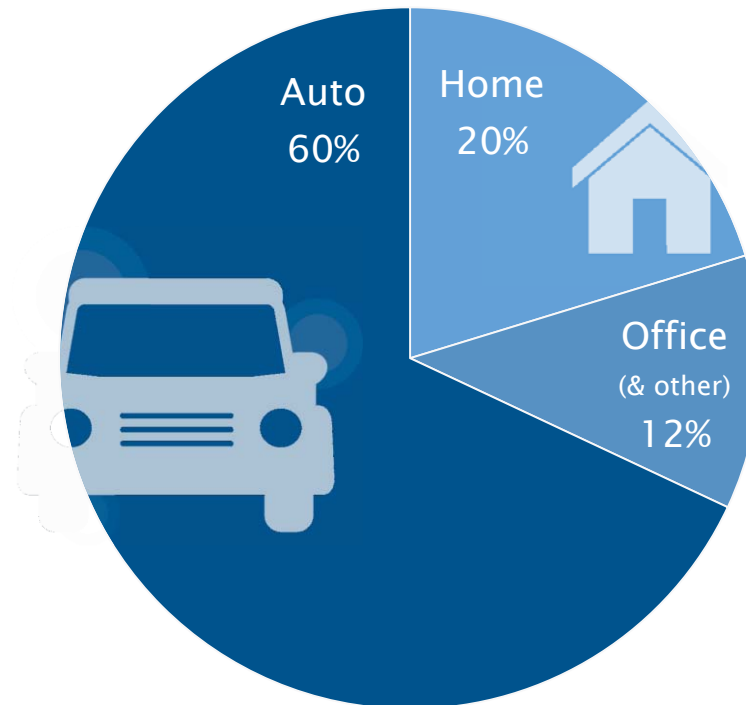
80% Radio

Radio: 18 hours per week

Sources: Weekly percentage of 12+ listeners, number of weekly U.S. radio listeners and Radio listening hours/week (Monday–Sunday 24–Hour Weekly Cume Persons 12+) source is RAB's "Why Radio Fact Sheet" (<http://www.rab.com/public/marketingguide/DataSheet.cfm?id=1>); Music listening as a percentage of radio listening source is VSS Communications Industry Forecasts, 22nd and 24th Editions.

Radio Consumption is Different

Serendipity and Multi-Tasking



Source: Adults 18+. Listening Location: Listen Most during a typical weekday (Percentages will not add to 100% due to duplication among listening locations), RAB
<http://www.rab.com/public/marketingGuide/DataSheet.cfm?id=18>

Redefining Radio for a Connected World

Broadcast Radio

Free
No Effort
Ubiquitous
Discover
New Music



Internet

One to One
Interactive
Personalized

Personalized Radio

PANDORA®

An Exciting Point in Pandora's Trajectory



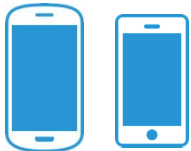
Growth in Active Listeners and Listener Hours



Critical Mass in Local Markets



Integrated into the Broadcast Radio Ad Buying Workflow



Approaching Mobile RPM Inflection Point



Connected Device Integrations



Significant Growth Potential

Reach
Engagement
Monetization

Significant Progress Since the IPO

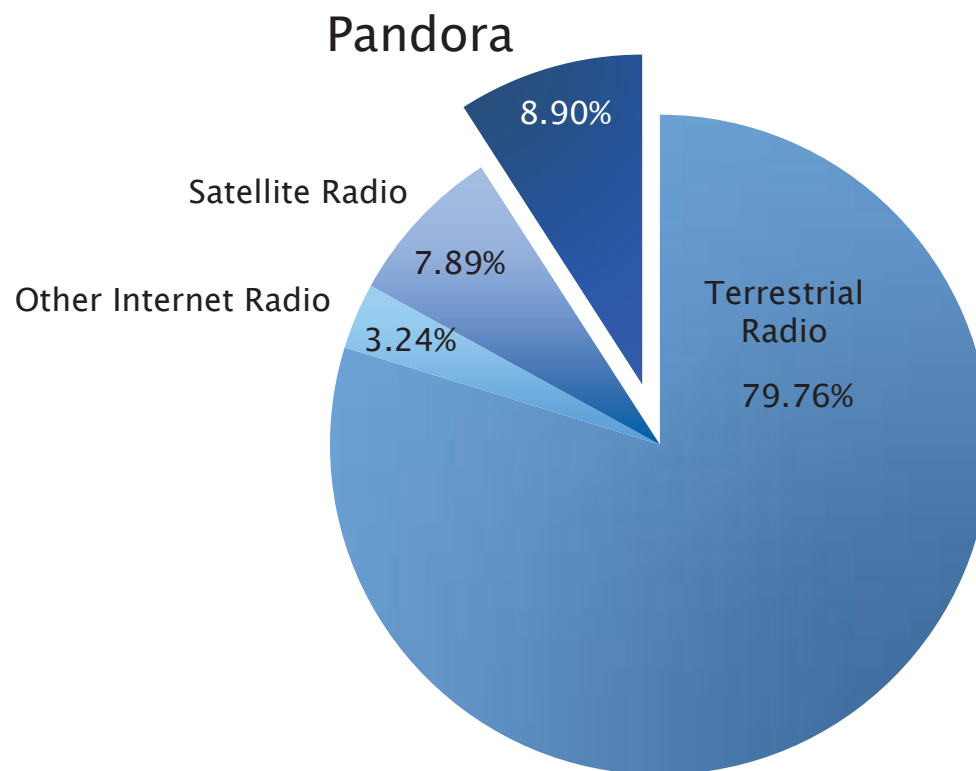
		At IPO	Q2 CY2014	Change
Reach	Registered Users	100M+	250M+	+150%
	Active Users	37M	75M	+103%
Engagement	Thumbs	10BN+	40BN+	+300%
	Quarterly Listener Hours	1.84BN	5.04BN	+174%
	Quarterly Mobile Hours	1.29BN	4.2BN	+226%
	Share of Radio Listening	3.4%	8.9%	+550bps
Monetization	Quarterly Revenue	\$67.0M	\$218.9M	+227%
	Quarterly Mobile Revenue	\$31.9M	\$167.5M	+425%
	Quarterly Mobile RPM	\$24.67	\$39.88	+62%

Note: Registered Users and Thumbs are cumulative data, Active Users and Share of Radio Listening are as of June 2014, remaining data is for full Q2 quarter; Share of Radio Listening from internal company estimates synthesizing Triton Digital, Arbitron and U.S. Census Bureau data for periods indicated. Share of Radio Listening estimate includes satellite. Financial metrics reflect non-GAAP revenue; a reconciliation to GAAP metrics is provided in the Appendix A and E hereto

It is Just the Beginning

All Radio Listening Hours

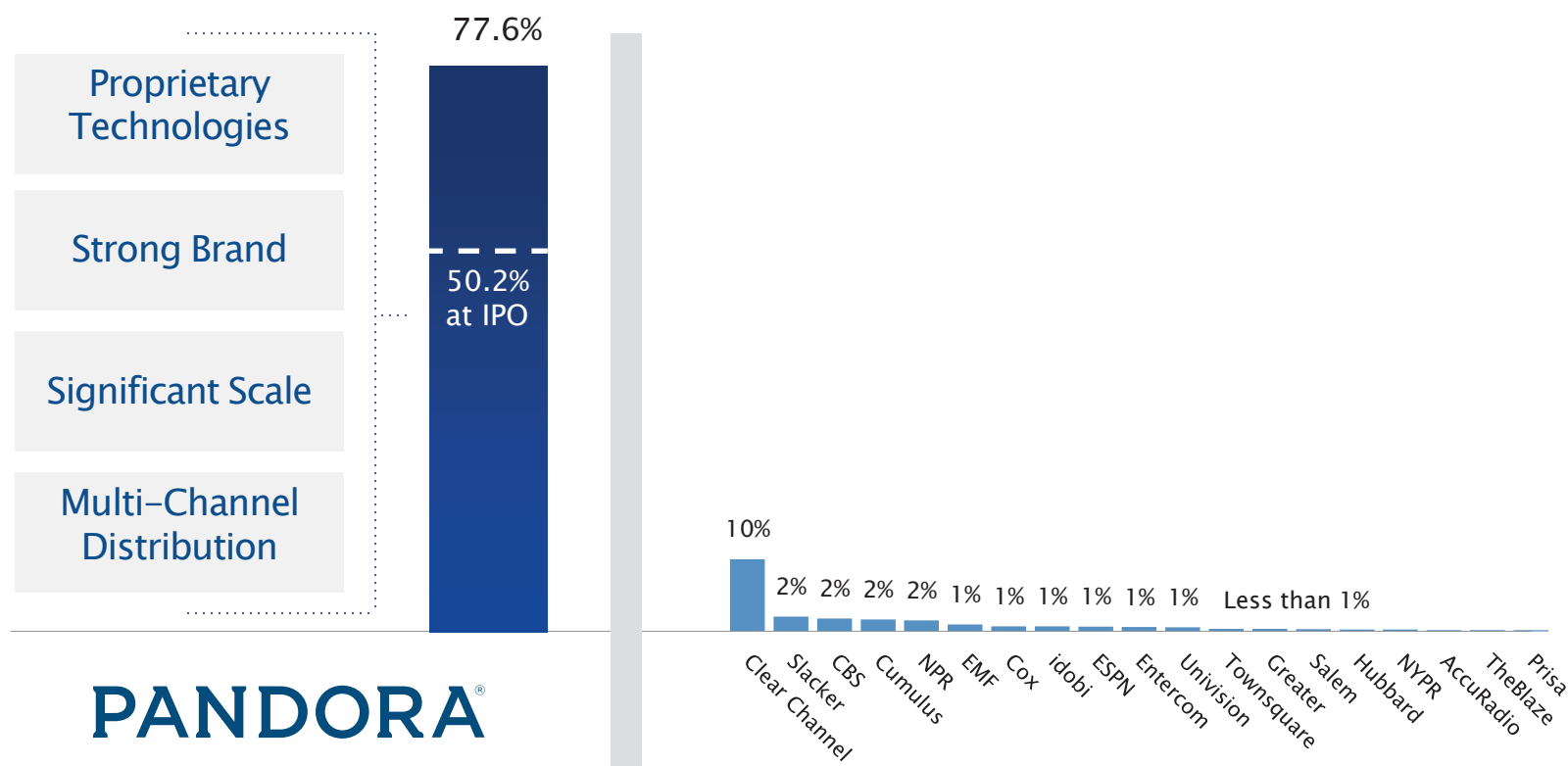
March 2014



Source: Internal company estimates synthesizing Triton Digital, Arbitron and U.S. Census Bureau data for period indicated, June 2014

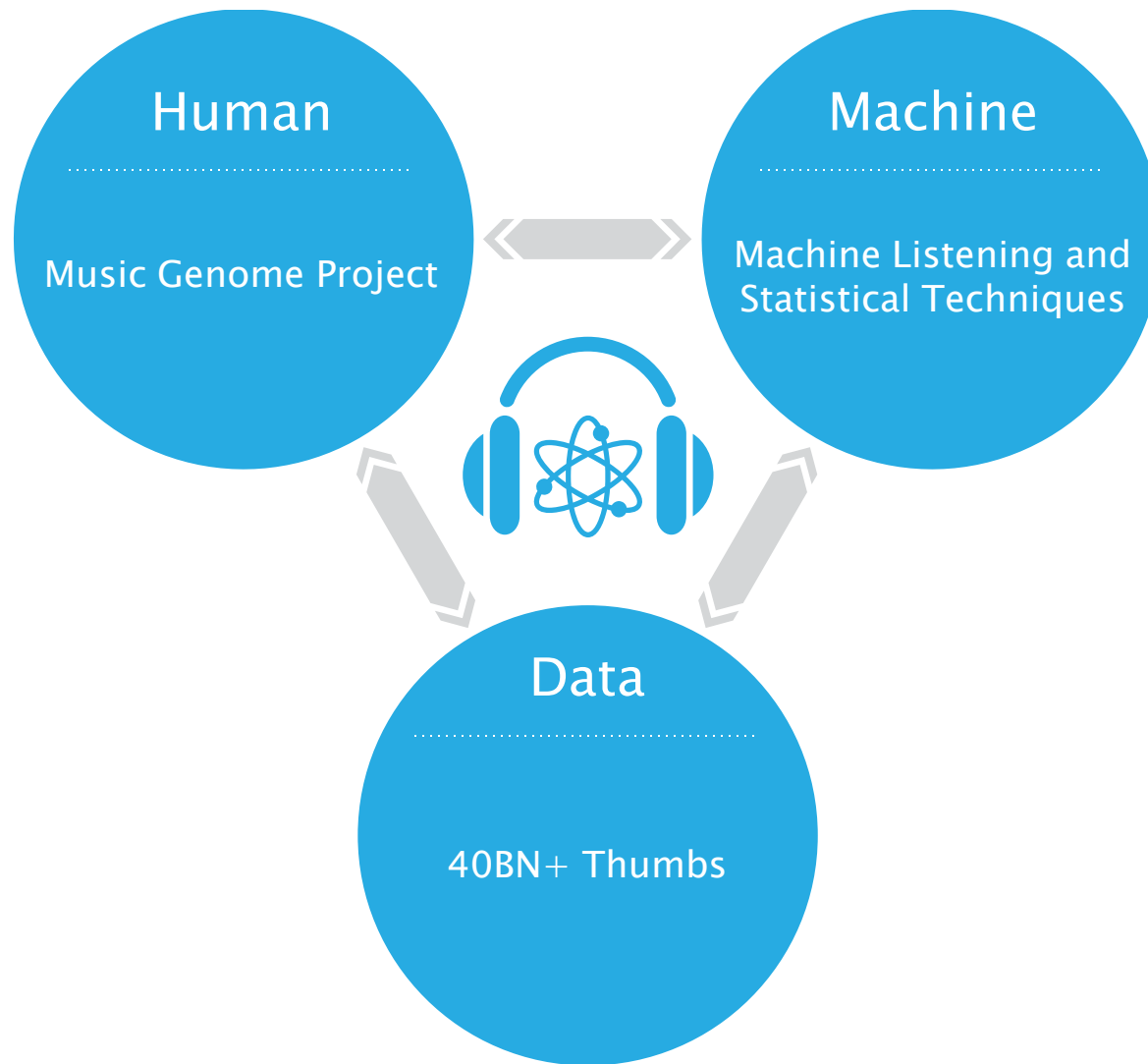
Significant Competitive Strengths

Share of Internet Radio Listening



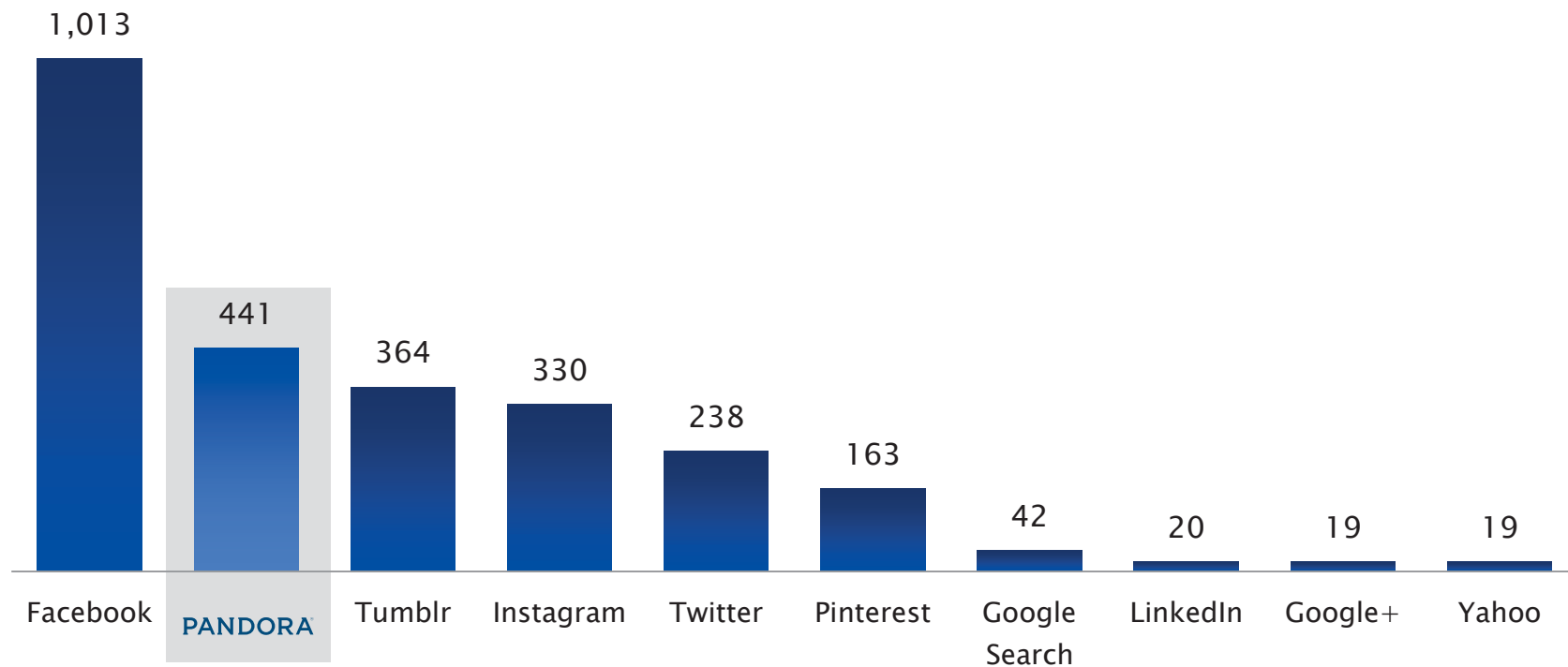
Note: All represent share among the top 20 stations and networks in the U.S., Mon-Sun 6AM-Mid, June 2014
Source: Triton Digital based on average active sessions

Pioneering Personalization Technologies



Pandora is a Leader in Mobile Engagement

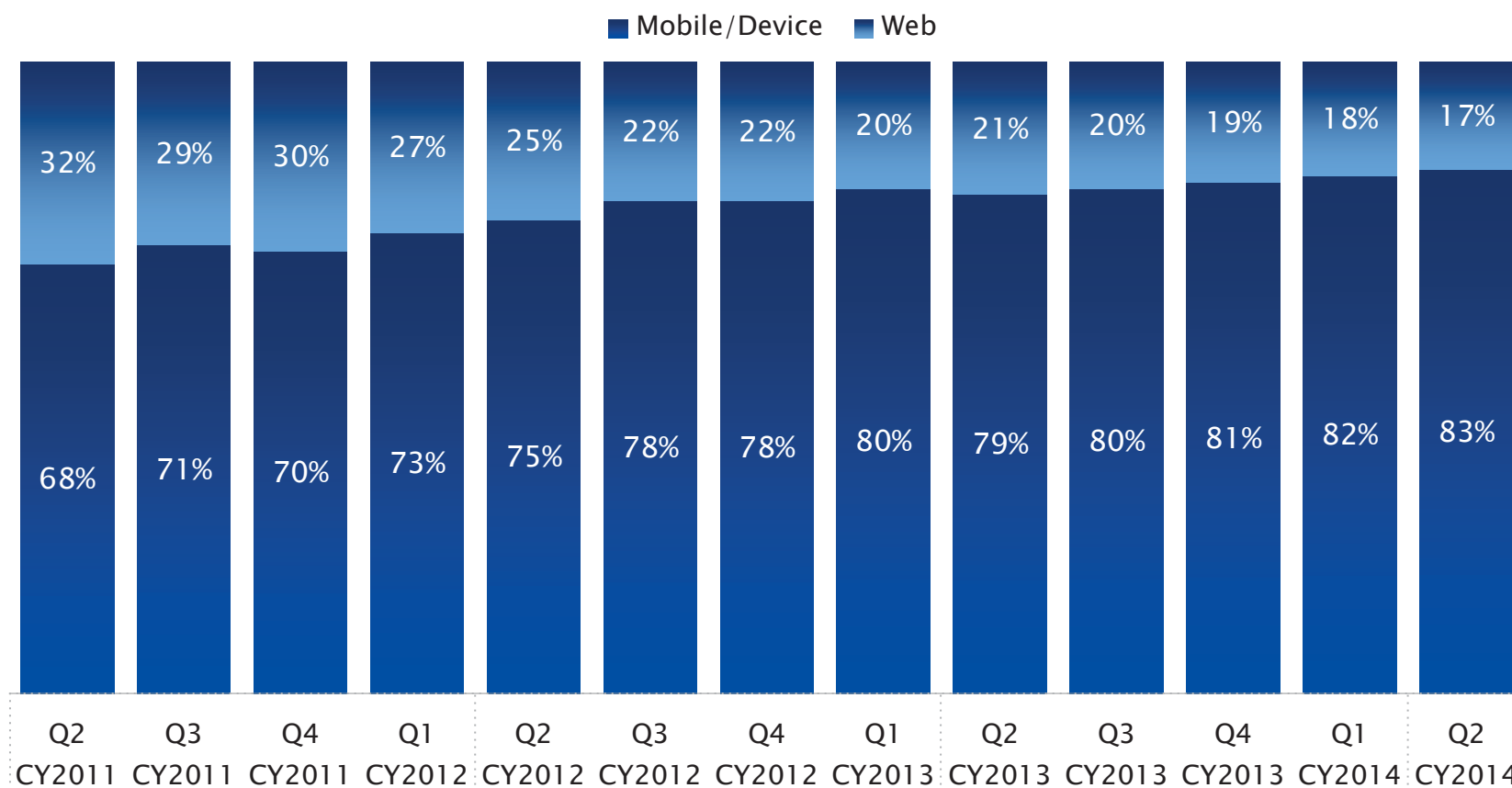
Monthly Mobile App Minutes per Visitor



Source: comScore, December 2013. The data presented does not reflect a comprehensive ranking of all mobile apps

Mobile and Connected Device Listening Dominates

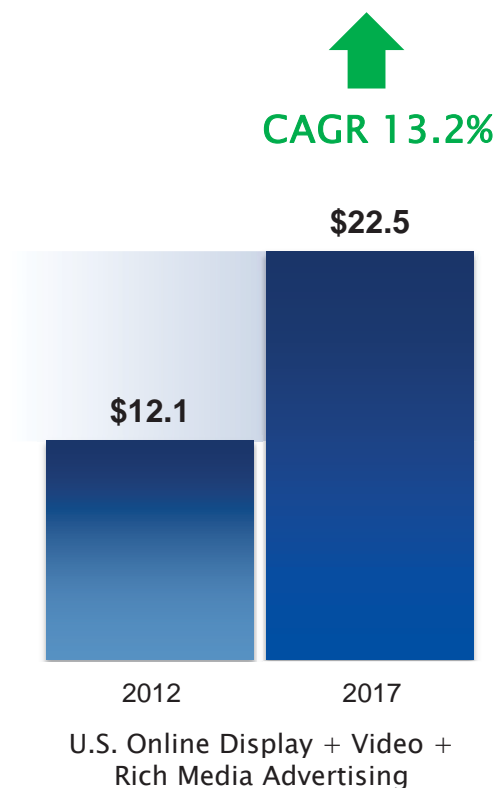
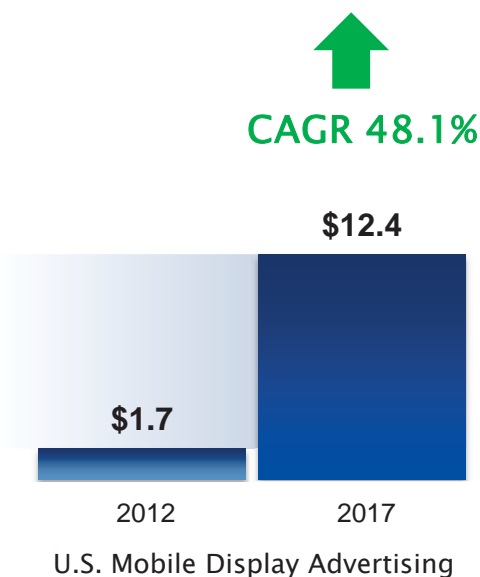
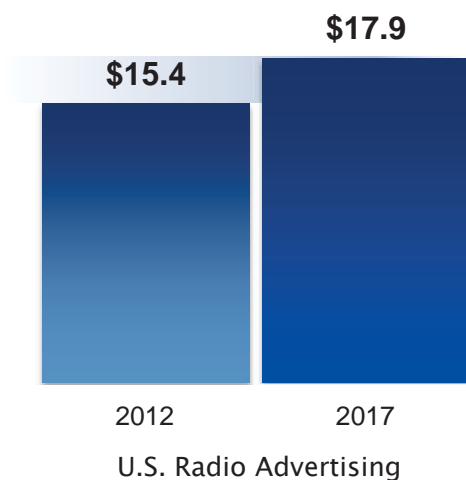
Mobile/Device vs. Web Hours



Source: Internal company data, June 2014

Significant Market Opportunity: 3 Major Ad Markets

74% local



Note: Dollars in billions

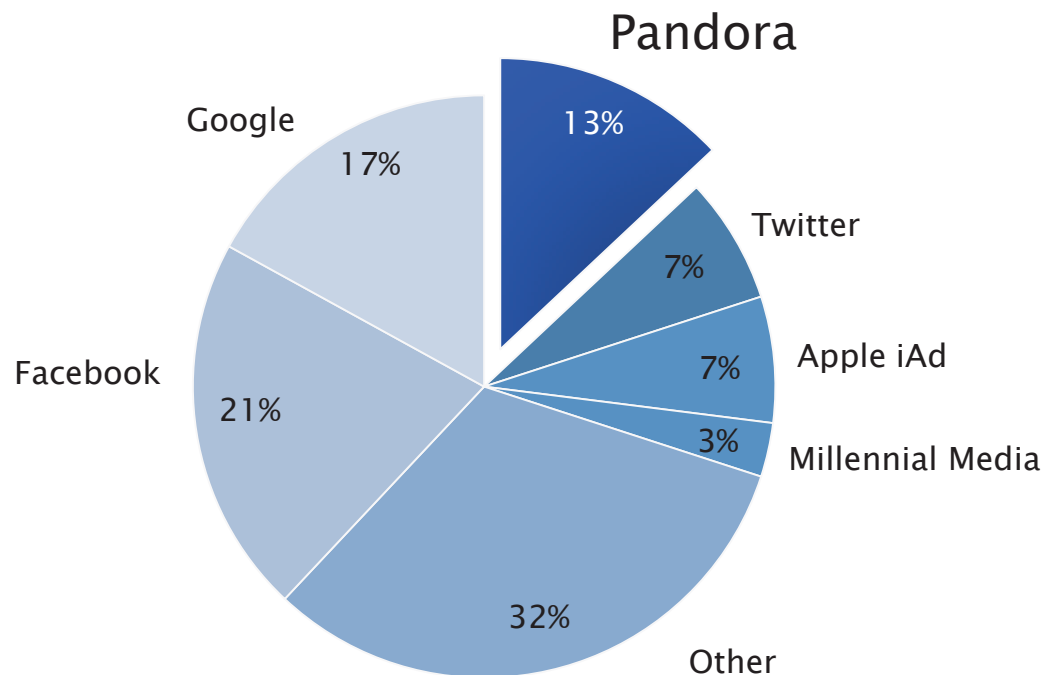
Sources: IDC June 2013, Veronis Suhler Stevenson Communications Industry Forecast 2012 for local market size

3rd Largest Mobile Advertising Company in the U.S.

CY13 mobile ad revenue: \$366.3M

Growth rate Y/Y +69%

2012 U.S. Mobile Display Ad Revenue Share



Note: Net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; includes display (banners and other, rich media and video); ad spending on tablets is included; excludes SMS, MMS and P2P messaging-based advertising

Source: Company revenue and growth rate from internal company estimates, U.S. mobile display ad revenue share source is eMarketer, June 2013

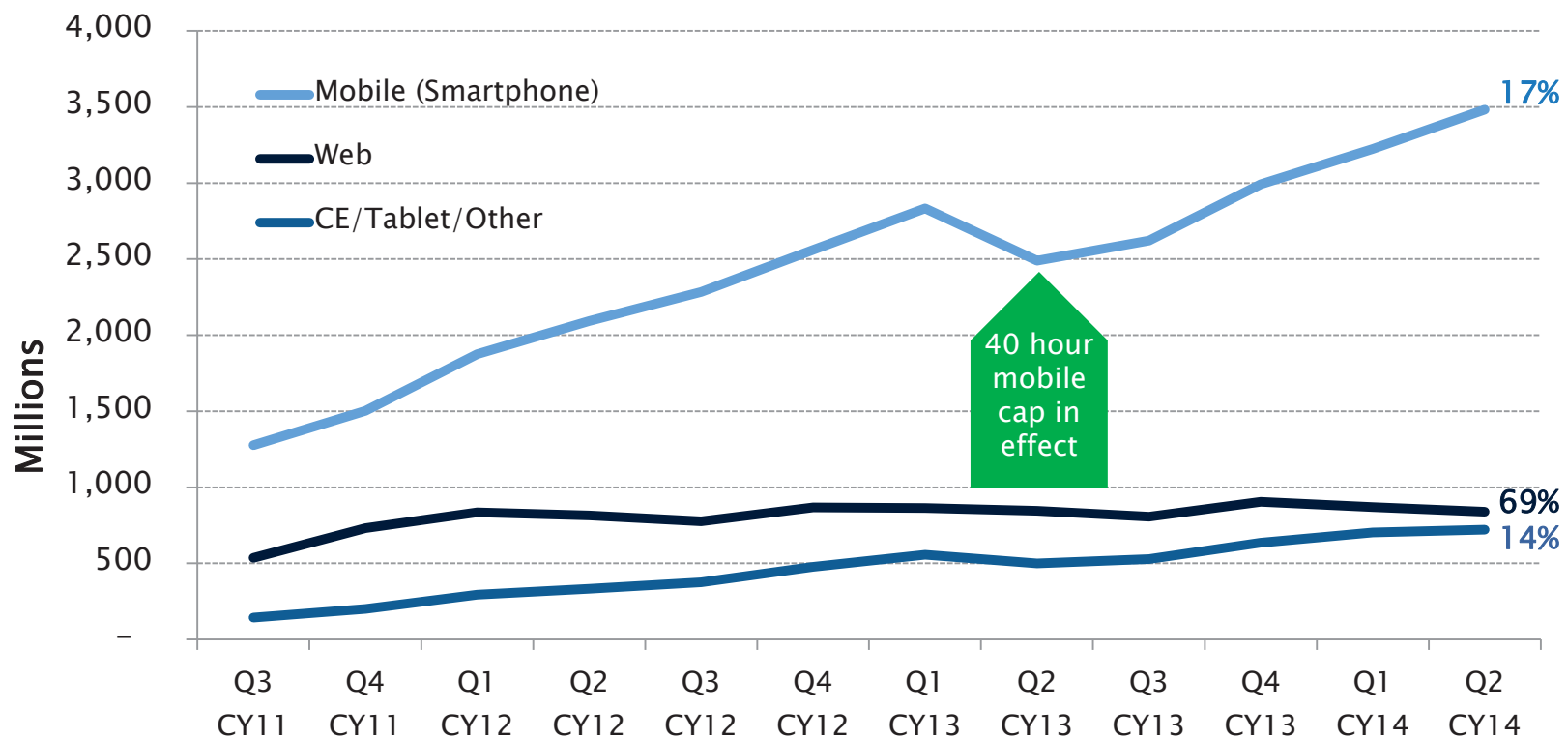
Defining the Frontier of Mobile Connectivity

PANDORA®

Connected Devices Gaining Share

Pandora Listening Hours Across Devices

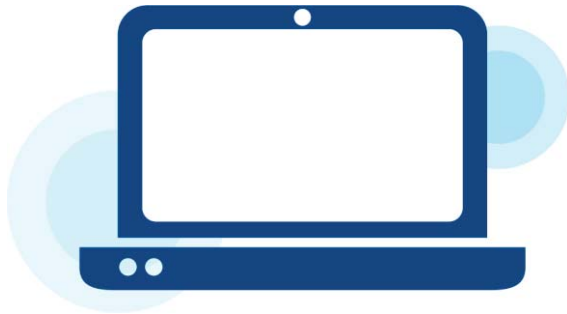
More than 25% of Pandora listeners engage across two or more different devices



Source: Internal company data, June 2014

Pandora Everywhere

Desktop/Laptop



Consumer Home Electronics



Smartphone/Tablet



Auto



Auto Partners

Integration with more than

145

Vehicle models

(1 / 3 of all new U.S. cars in 2013)

270

Automotive
Aftermarket devices



Source: Internal company data, June 2014

Focused on Mobile Monetization

Two Pronged Approach

Digital Strategy: Online + Mobile



Extend Reach
Reach people wherever they listen

Radio Strategy: Audio Everywhere



Superior Audio Product
Targetable • Interactive • Measureable

Unlocking Local Audio Advertising

PANDORA®

Pandora is the Equivalent of a Large Station in Most Top Markets

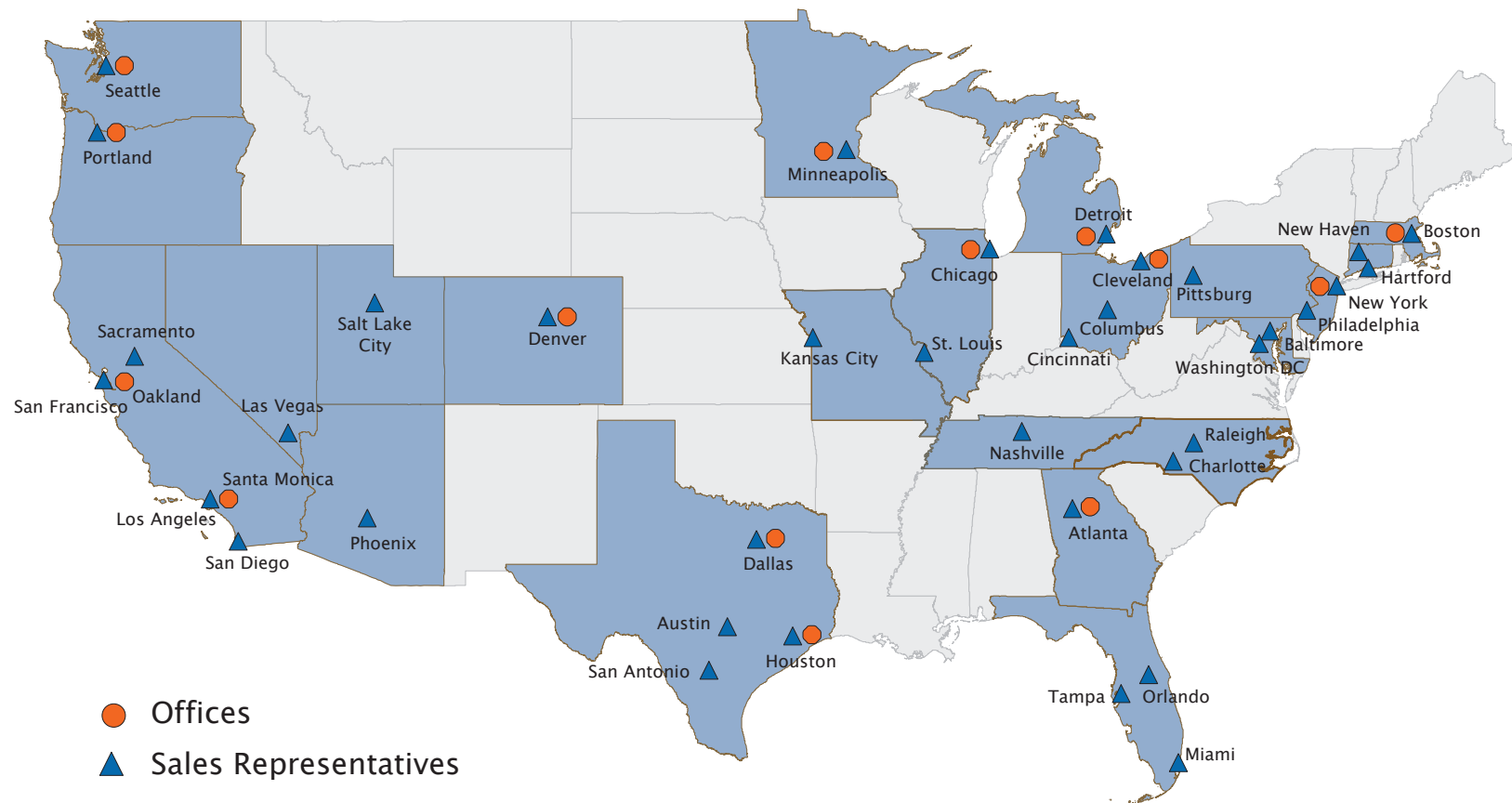
Pandora is the number 1 station in 14 of the top 15 local radio markets



Note: Radio listening in the past week, A18+
Source: The Media Audit, May 2012 – October 2013

Pandora Sales Force Geographic Footprint

Pandora now has a local sales presence in 37 markets



Attacking the Local Opportunity



Blue Chip and Local Advertiser Customer Base

Auto	Food & Beverage	Media/ Telecom	Consumer/ Retail	Technology	Travel/ Hospitality	Local Advertising
						
						
						
						
						
						
						
						
						

 National advertisers with local campaigns

Radio buyers can now compare
Pandora audience size with other
local radio stations in

276

markets across the country

27

Financials

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Pandora's Business Model

Advertising



Q2CY14 Revenue \$177.3M

Y/Y Growth 39%

% of Total Revenue 81%

Subscription Service

PANDORA
— ONE™ —

Q2CY14 Revenue \$41.6M

Y/Y Growth 63%

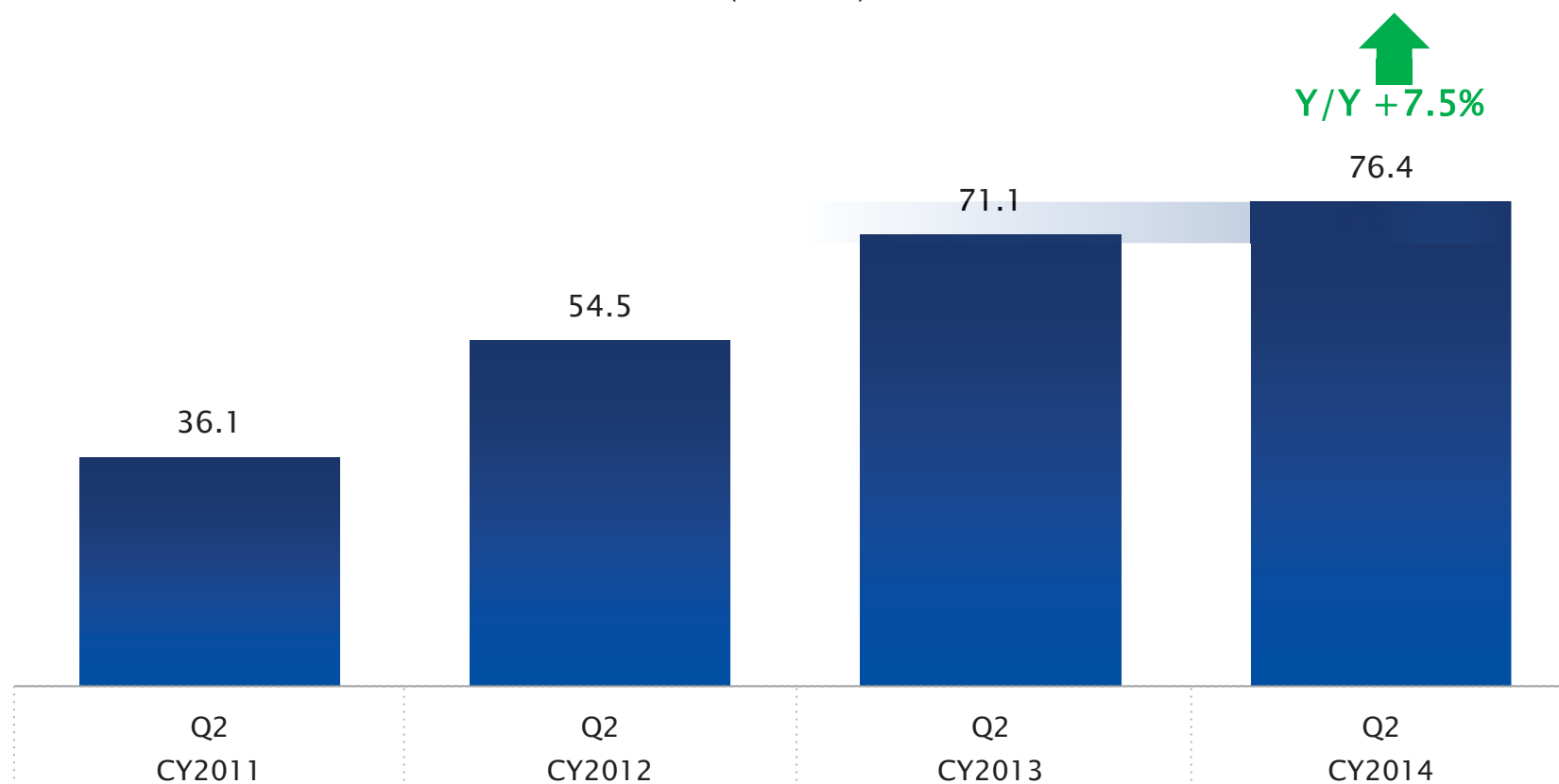
% of Total Revenue 19%

Note: Subscription and other revenue combined; Financial metrics reflect non-GAAP revenue; a reconciliation to GAAP metrics is provided in Appendix B hereto
Source: Internal company data, June 2014

Active User Growth

Active Users

(Millions)

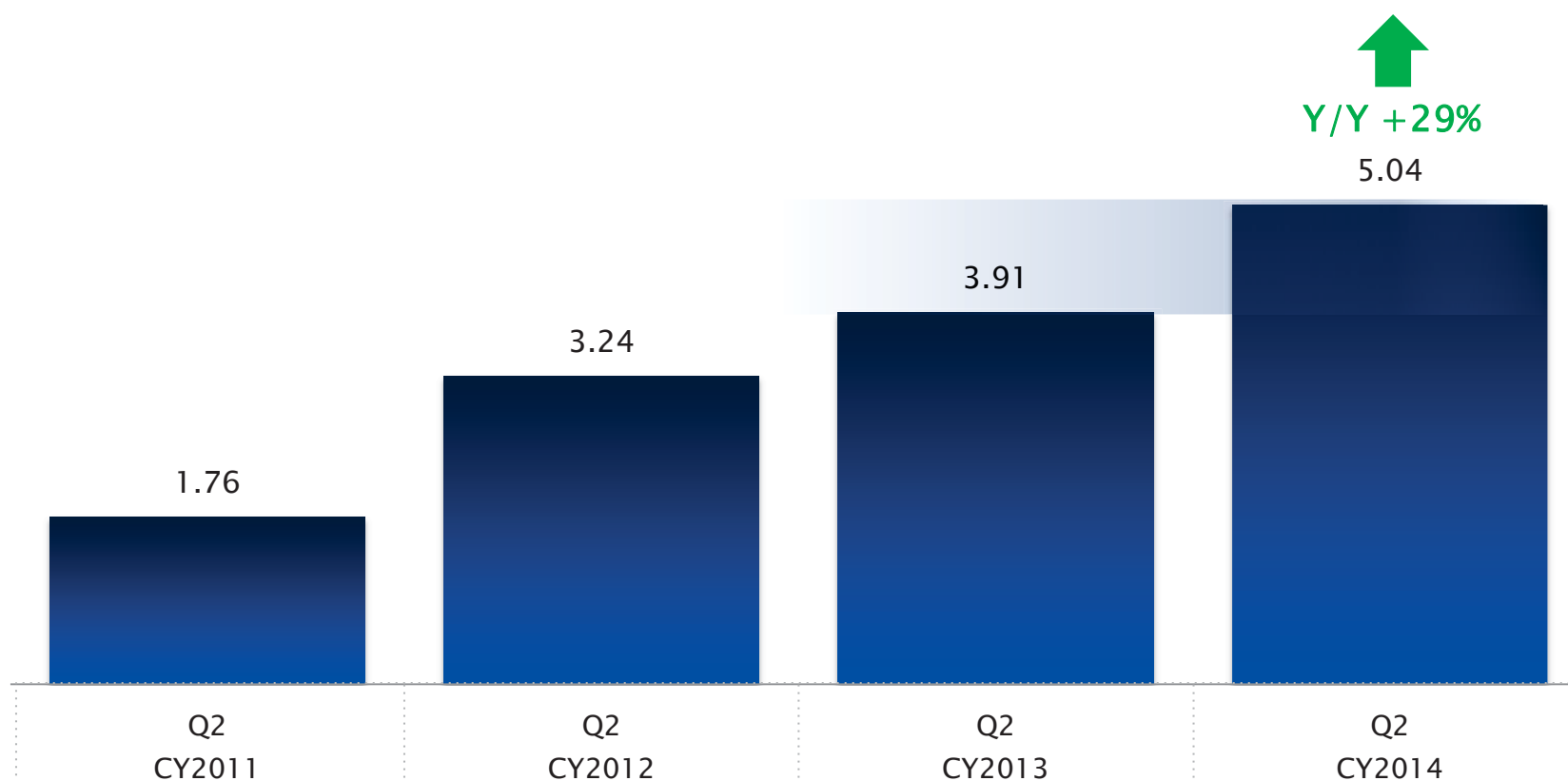


Note: Total active users are defined as the number of distinct registered users that have requested audio from our servers within the trailing 30 days to the end of the final calendar month of the period
Source: Internal company data, June 2014

Growth in Listener Hours

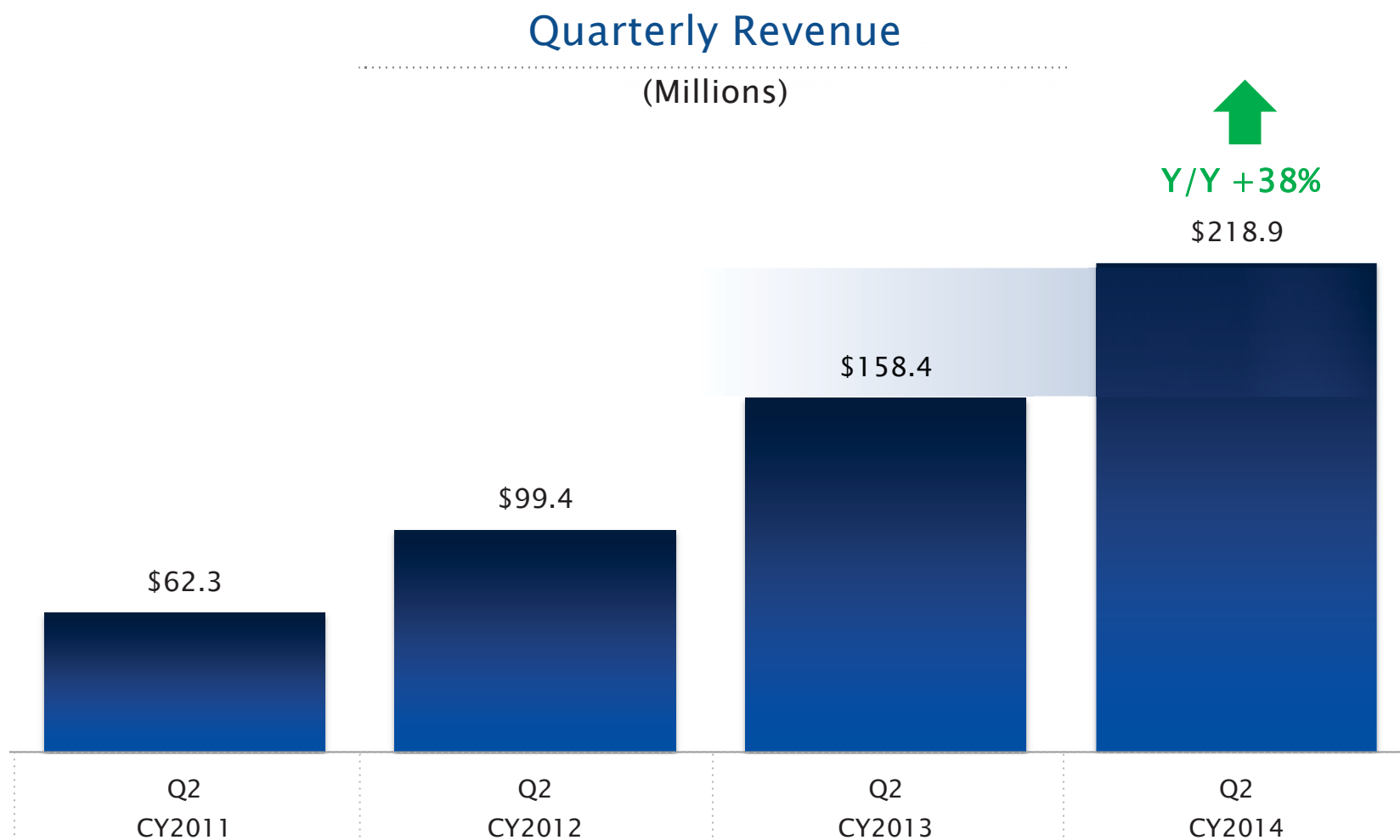
Quarterly Listener Hours

(Billions)



Source: Internal company data, June 2014

Quarterly Revenue Growth

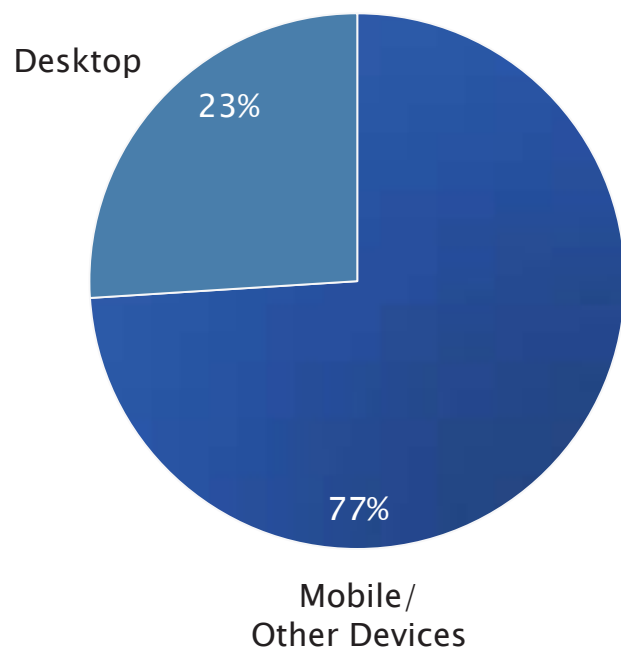


Note: Financial metrics reflect non-GAAP revenue; a reconciliation to GAAP metrics is provided in Appendix A hereto
Source: Internal company data, March 2014

Strong Mobile Revenue Growth

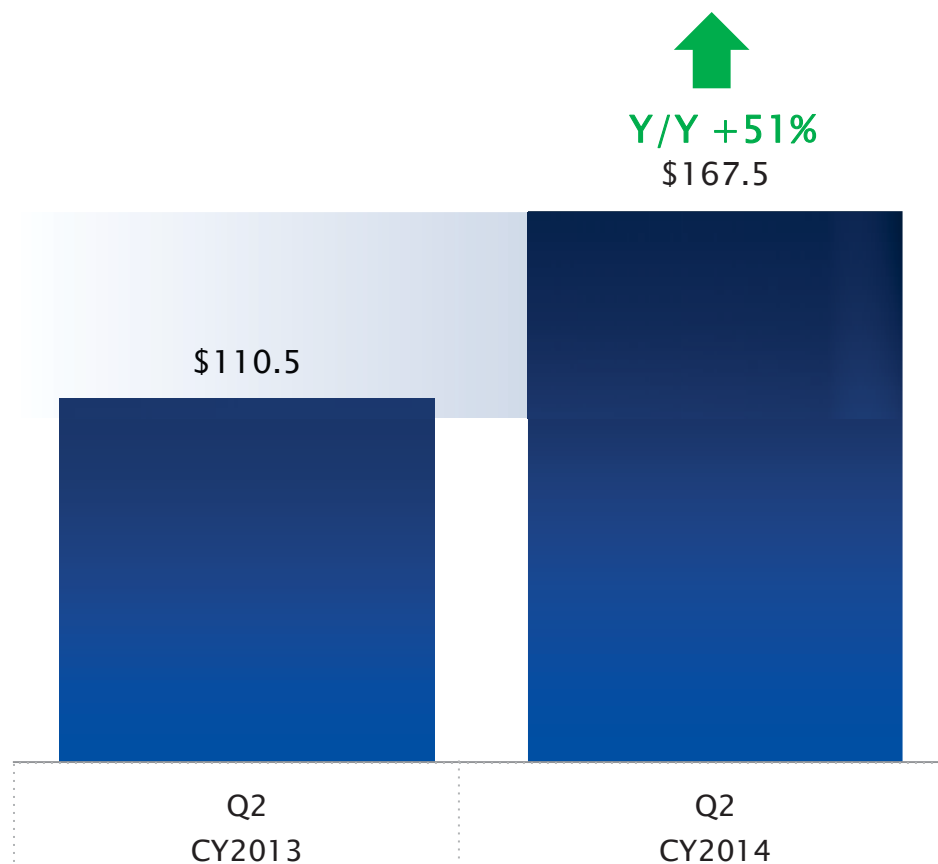
Mobile Revenue Share

(Q2 CY2014)



Quarterly Mobile Revenue

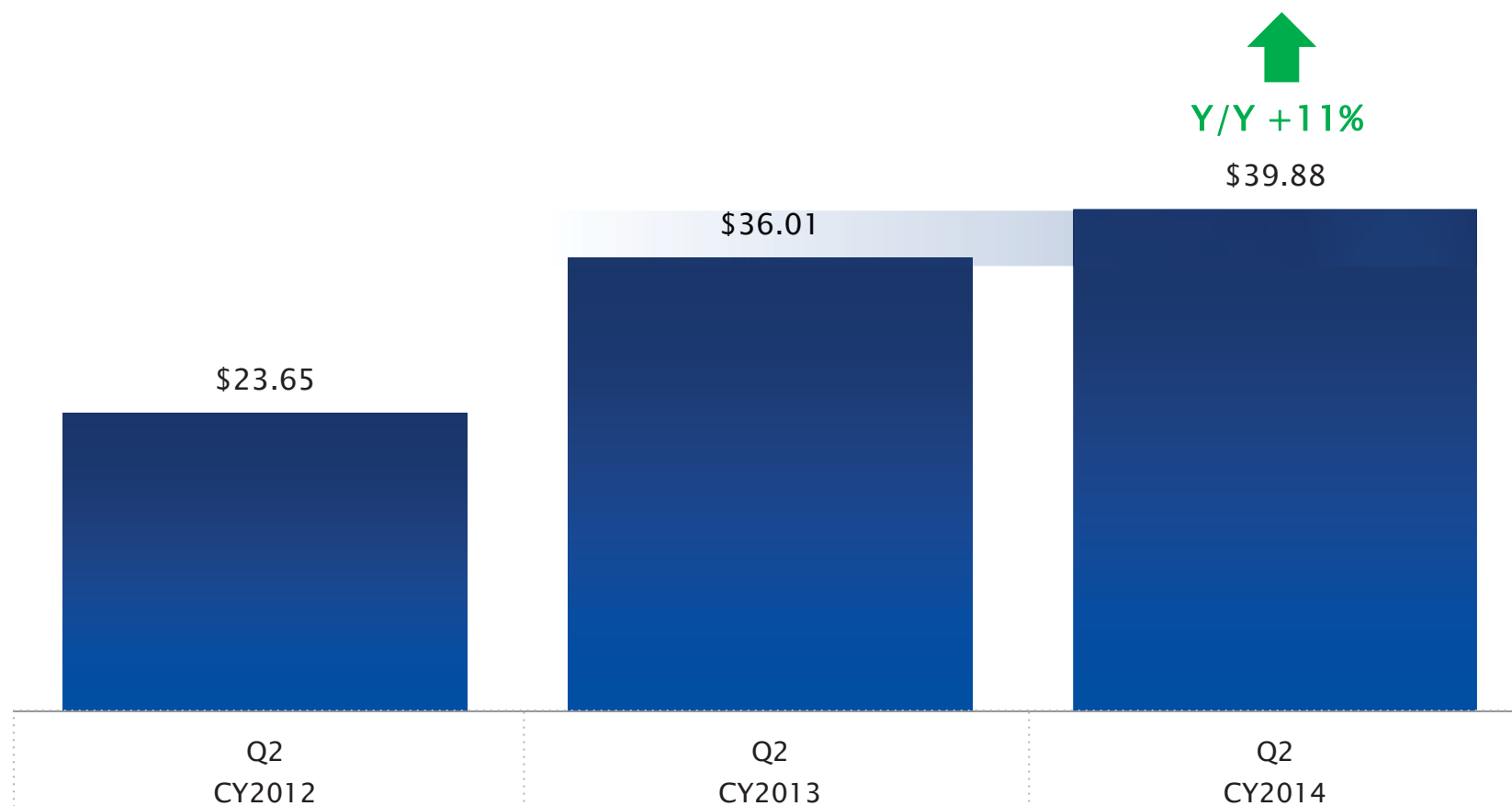
(Millions)



Note: Financial metrics reflect non-GAAP revenue; a reconciliation to GAAP metrics is provided in Appendix A hereto
Source: Internal company data, June 2014

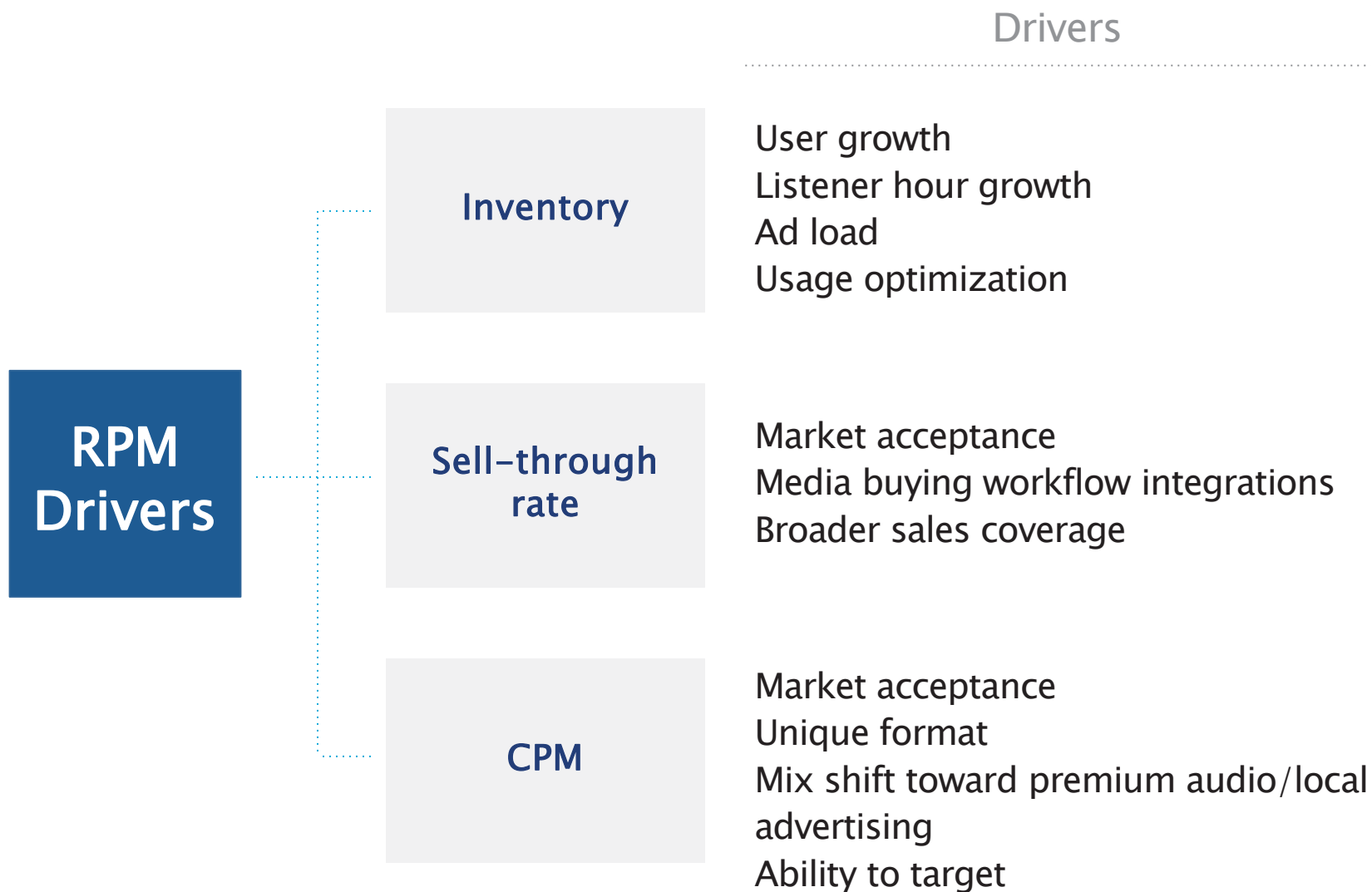
Proven Ability to Increase Mobile Monetization

Mobile RPM Progression



Note: Financial metrics reflect non-GAAP revenue; a reconciliation to GAAP metrics is provided in Appendix E hereto
Source: Internal company data, June 2014

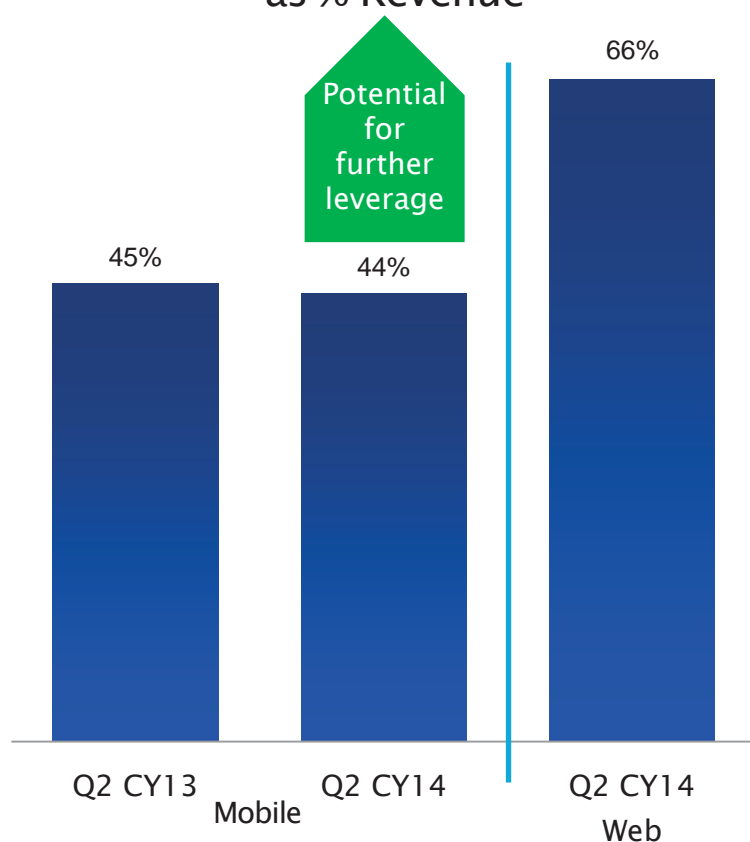
Unpacking RPM: Key Drivers



Expanding Variable Margin Allows for Investment in S&M

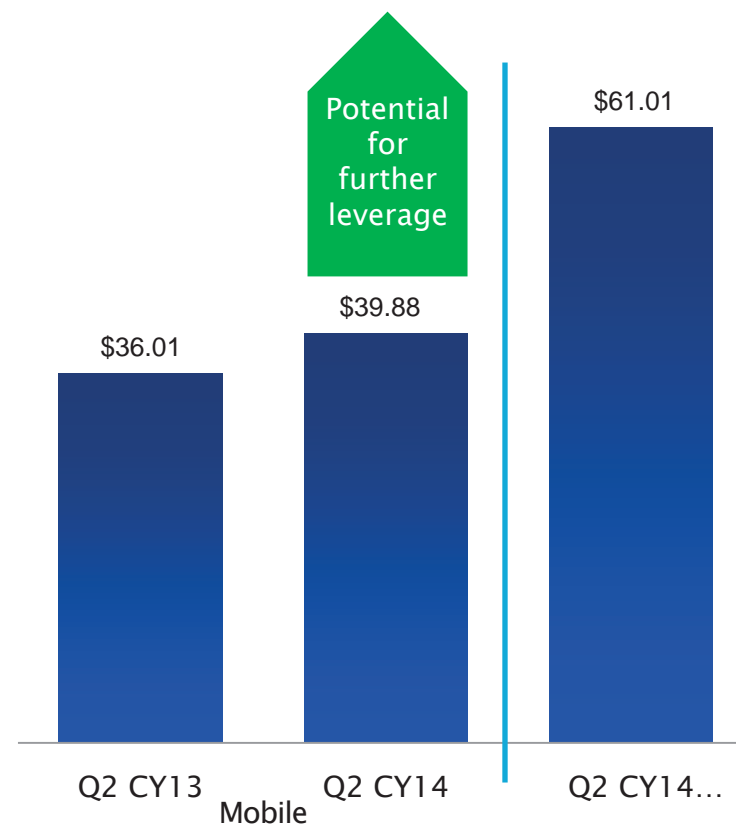
Expanding Gross Margin

Growing Revenue Less Content Costs
as % Revenue¹



Investment in High ROI Growth

Increasing Mobile RPM



¹ Advertising only

Note: RPM financial metrics reflect non-GAAP revenue; a reconciliation to GAAP metrics is provided in Appendix E hereto

Source: Internal company data, June 2014

Royalty and Licensing Agreements

Sound Recording Rights

Statutory License

SoundExchange

SoundExchange arbitration process for future rates expected to begin early 2014

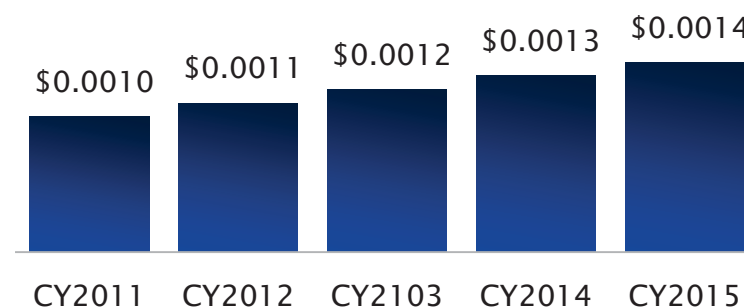
Music Composition Rights

ASCAP, BMI, SESAC

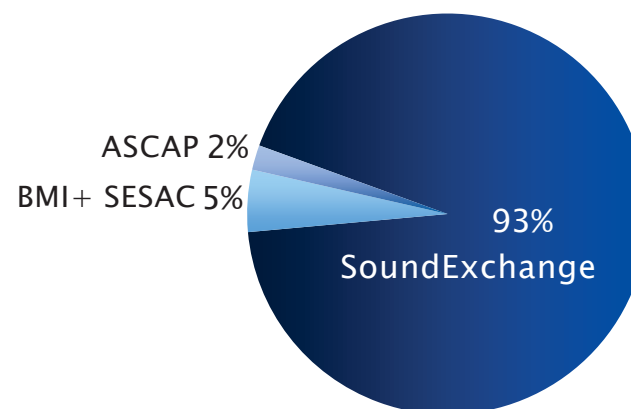
Other Publishers

SoundExchange Agreement

(Licensing Cost per Ad-Supported Track)

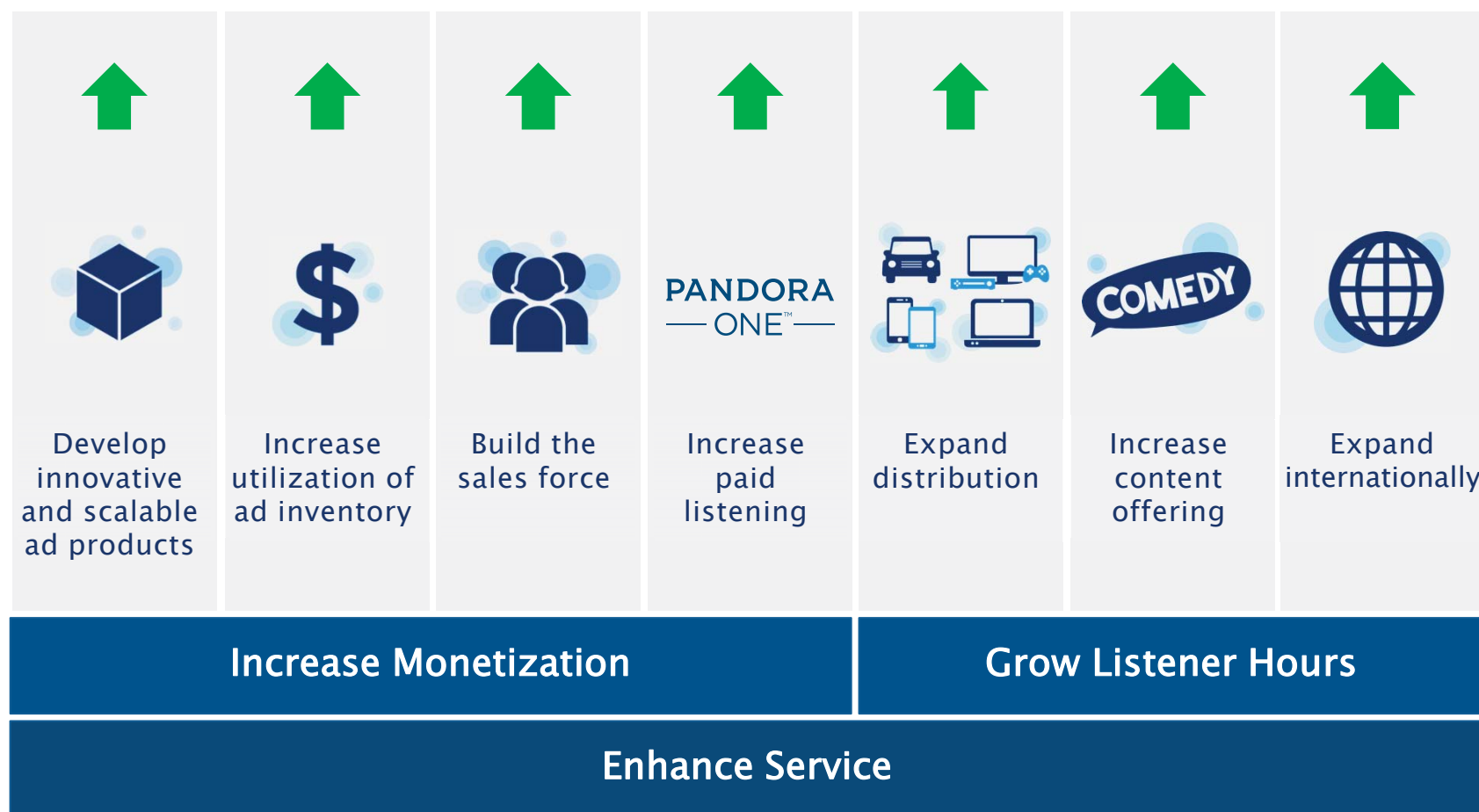


CY2013 Content Acquisition Cost



Source: Company information, January 2014

Significant Long-Term Growth Drivers



Long-Term Business Model

% of Non-GAAP Revenues	Last Year CY2012	Today CY2013	Goal
Content Acquisition Cost	60%	53%	~40%
Cost of Revenue – Other	7%	7%	~7%
Product Development	3%	4%	~7%
Sales and Marketing	22%	25%	~20%
General and Administrative	10%	10%	~6%
Non-GAAP Operating Profit	(1%)	2%	~20%

Note: A reconciliation to GAAP metrics is provided in Appendix A and D hereto
Source: Internal company data, January 2014

The image features the Pandora logo in a white, serif, all-caps font, centered horizontally. The background is a dark navy blue, decorated with numerous out-of-focus circular light spots in shades of teal, light blue, and white, creating a bokeh effect. The logo itself is a registered trademark, indicated by a small '®' symbol at the end of the word.

PANDORA®

Appendix A

Financial Reconciliation – GAAP vs. Non-GAAP

Revenue and Net Income

Prior to FY2012 there were no Non-GAAP Revenue Adjustments

	Three months ended	
	June 30,	
	2013	2014
	(unaudited)	
Revenue		
GAAP total revenue	\$ 153,104	\$ 218,894
Subscription return reserve	5,331	-
Non-GAAP total revenue	<u>\$ 158,435</u>	<u>\$ 218,894</u>
Net income (loss)		
GAAP net loss	\$ (6,902)	\$ (11,728)
Subscription return reserve	5,331	-
Amortization of intangibles	-	182
Stock-based compensation	10,138	20,613
Non-GAAP net income (loss)	<u>\$ 8,567</u>	<u>\$ 9,067</u>

Appendix B

Financial Reconciliation – GAAP vs. Non-GAAP

Revenue

Prior to FY2012 there were no Non-GAAP Revenue Adjustments

	Three months ended June 30,	
	2013	2014
	(unaudited)	
Revenue - GAAP		
Advertising	\$ 127,555	\$ 177,324
Subscription and other	25,549	41,570
Total revenue - GAAP	\$ 153,104	\$ 218,894
Revenue - non-GAAP		
Total revenue - GAAP	\$ 153,104	\$ 218,894
Subscription return reserve	5,331	-
Total revenue - non-GAAP	\$ 158,435	\$ 218,894

Appendix C

Financial Reconciliation – GAAP vs. Non-GAAP

Mobile Revenue

Prior to FY2012 there were no Non-GAAP Revenue Adjustments

	Three months ended June 30,	
	2013	2014
	(unaudited)	
Total revenue by platform		
Traditional computer	\$ 47,588	\$ 51,432
Mobile and other connected devices	105,516	167,462
Total	\$ 153,104	\$ 218,894
Total non-GAAP revenue by platform		
Traditional computer	\$ 47,893	\$ 51,432
Mobile and other connected devices	110,542	167,462
Total	\$ 158,435	\$ 218,894

Appendix D

Financial Reconciliation – GAAP vs. Non-GAAP

Cost and Expenses

Prior to FY2012 there were no Non-GAAP Revenue Adjustments

	Three months ended	
	June 30,	
	2013	2014
Cost of revenue		
Cost of revenue - Content acquisition costs	\$ 79,828	\$ 111,461
Cost of revenue - Other	10,847	13,989
Total cost of revenue - GAAP	90,675	125,450
Less: Stock compensation - Cost of revenue - Other	482	1,032
Total cost of revenue - non-GAAP	\$ 90,193	\$ 124,418
Operating expenses		
Product development	\$ 7,895	\$ 13,076
Sales and marketing	44,371	66,232
General and administrative	16,931	25,865
Total operating expenses - GAAP	69,197	105,173
Less: Stock compensation - Product development	2,394	4,426
Less: Stock compensation - Sales and marketing	5,027	9,922
Less: Stock compensation - General and administrative	2,235	5,233
Less: Amortization of intangibles	-	182
Total operating expenses - non-GAAP	\$ 59,541	\$ 85,410

Appendix E

Financial Reconciliation – GAAP vs. Non-GAAP

RPM

Prior to FY2012 there were no Non-GAAP Revenue Adjustments

	Year ended				Three months ended				Year ended		Three months ended		
	6/30/2012	9/30/2012	12/31/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	12/31/2013		3/31/2014	6/30/2014	
Advertising RPMs													
Traditional computer	\$ 53.99	\$ 57.06	\$ 59.31	\$ 53.47	\$ 44.63	\$ 58.53	\$ 58.44	\$ 61.92	\$ 55.84		\$ 52.75	\$ 62.43	
Mobile and other connected devices	22.25	23.51	25.52	22.15	20.43	32.56	35.31	36.20	30.93		29.46	36.00	
Total	\$ 29.33	\$ 30.30	\$ 32.33	\$ 28.92	\$ 24.85	\$ 37.89	\$ 39.68	\$ 40.95	\$ 35.66		\$ 33.40	\$ 40.11	
Total RPMs													
Traditional computer	\$ 52.07	\$ 55.51	\$ 57.67	\$ 52.01	\$ 45.17	\$ 56.73	\$ 57.50	\$ 61.28	\$ 55.18		\$ 54.42	\$ 61.01	
Mobile and other connected devices	23.25	24.87	26.93	23.38	22.41	34.37	38.75	39.99	33.89		37.43	39.88	
Total	\$ 30.40	\$ 31.70	\$ 33.68	\$ 30.23	\$ 26.96	\$ 39.17	\$ 42.49	\$ 44.14	\$ 38.19		\$ 40.51	\$ 43.41	
Total RPMs based on non-GAAP revenue													
Traditional computer	\$ 52.20	\$ 55.64	\$ 57.83	\$ 52.15	\$ 45.36	\$ 57.09	\$ 57.68	\$ 61.32	\$ 55.37		\$ 52.92	\$ 61.01	
Mobile and other connected devices	23.65	25.20	27.34	23.76	22.92	36.01	39.32	40.10	34.57		34.15	39.88	
Total	\$ 30.74	\$ 31.98	\$ 34.03	\$ 30.55	\$ 27.41	\$ 40.53	\$ 42.98	\$ 44.23	\$ 38.77		\$ 37.55	\$ 43.41	

	Year ended				Three months ended				Year ended		Three months ended		
	6/30/2012	9/30/2012	12/31/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	12/31/2013		3/31/2014	6/30/2014	
Total revenue by platform													
Traditional computer	\$ 41,756	\$ 42,460	\$ 49,415	\$ 168,821	\$ 38,566	\$ 47,588	\$ 45,676	\$ 54,220	\$ 186,050		\$ 47,323	\$ 51,432	
Mobile and other connected devices	56,535	66,347	82,084	241,188	76,558	105,516	123,627	146,142	451,843		146,992	167,462	
Total	\$ 98,291	\$ 108,807	\$ 131,499	\$ 410,009	\$ 115,124	\$ 153,104	\$ 169,303	\$ 200,362	\$ 637,893		\$ 194,315	\$ 218,894	
Total non-GAAP revenue by platform													
Traditional computer	\$ 41,862	\$ 42,553	\$ 49,551	\$ 169,255	\$ 38,731	\$ 47,893	\$ 45,820	\$ 54,256	\$ 186,700		\$ 46,018	\$ 51,432	
Mobile and other connected devices	57,507	67,233	83,326	245,112	78,310	110,542	125,433	146,533	460,818		134,111	167,462	
Total	\$ 99,369	\$ 109,786	\$ 132,877	\$ 414,367	\$ 117,041	\$ 158,435	\$ 171,253	\$ 200,789	\$ 647,518		\$ 180,129	\$ 218,894	